

# CYPRriot FUNDS FOR INDIAN INBOUND INVESTMENT

## *Contents*

Introduction	2
Latest Developments	2
Advantages of Cyprus as a Category 1	2
Opportunities for Indian Fund Managers	2
The Cypriot Funds Industry	3
Corporate Tax Benefits for Indian Fund Managers	3
Redomiciling to Cyprus	3
Personal Tax Incentives for Senior Executives	3
What can ATG do for you	4
ATG Services	4

**Andreas Athinodorou**  
CEO

T | + 357 22 057 570  
E | [andreas.athinodorou@atgfunds.com](mailto:andreas.athinodorou@atgfunds.com)

This publication should be used as a source of general information only. It is not intended to give a definitive statement of the law.

[WWW.ATGFUNDS.COM](http://WWW.ATGFUNDS.COM)

ATG Fund Services Ltd is a Member of 

CREATING, PROTECTING AND GROWING WEALTH

## INTRODUCTION

Cyprus offers the ideal funds solution for Indian fund managers and acts as Europe's gateway to the Indian capital market.

Cyprus also has a longstanding collaboration with India positioning it as the ideal funds jurisdiction for Indian fund managers. It is an EU Member State and its regulatory framework is harmonised with EU directives. Its robust funds ecosystem delivers an effective fund solution that is more cost-effective than other EU solutions.

With a simplified and seamless fund set-up process under the supervision of the Cyprus Securities and Exchange Commission ("CySEC"), streamlined reporting and regulatory compliance requirements and lower fund administration and management costs – **Cyprus is the funds jurisdiction of choice for inbound investments into India.**

## LATEST DEVELOPMENTS

The Ministry of Finance in India issued an order on the 14th June 2021 stating that Cyprus can now be classified as Category 1 under the Foreign Portfolio Investors ("FPI") regulations that are governed by the Securities Exchange Board of India ("SEBI").

SEBI categorizes offshore funds that are looking to access the Indian market in two general categories, namely Category 1 and 2.

Funds that are from a non-FATF member-country are not eligible to register as Category 1, only as Category 2. As per the latest order that was issued on - SEBI confirms that Cyprus funds are now eligible to register as Category 1 opening up a plethora of new opportunities for Cyprus based funds who wish to access the Indian market.

## ADVANTAGES OF CYPRUS AS A CATEGORY 1

Some benefits that Cyprus funds can now enjoy as Category 1 FPIs, in comparison to Category 2 are that:

- Cyprus Funds now are subject to less KYC documentation compared to Category 2 Funds
- They are exempt from indirect transfer provisions under the Indian Income Tax laws that regulate the transfer of shares/interest in a foreign entity with Indian Investments
- They can invest in ODIs if they meet the relevant compliance requirements of SEBI
- They have higher limits for trading/investing in derivatives
- They can partake in the anchor book of an IPO

## OPPORTUNITIES FOR INDIAN FUND MANAGERS

Cyprus UCITS legislation is in line with EU standards and foreign UCITS can be promoted in Cyprus. The most popular types of investment funds in Cyprus though are non UCITS, Alternative Investment Funds ("AIFs").

Cyprus offers the following AIF structures for fund managers:

- An AIF with Unlimited number of persons / Limited Number of Persons
- A Registered Alternative Investment Fund "RAIF"

There are numerous fund structures open to Indian fund managers who could enter a delegation arrangement whereby they are appointed as an external manager of an Alternative Investment Fund ("AIF") in cooperation with an authorised Cyprus fund manager.

The AIF with unlimited number of persons is subject to investment diversification rules but can be marketed to the general public. On the other hand, the AIF with Limited Number of Persons has a maximum limit of unitholders (50 natural persons) and is best suited for smaller groups of investors.

This is a less supervised and regulated structure than the latter as there are no investment restrictions or diversification rules. The RAIF is the least regulated and is not subject to CySEC authorization.

**It's the best solution for fund managers that wish to have a swift access to market.**

## THE CYPRIOT FUNDS INDUSTRY

The Cypriot Funds Industry has been growing exponentially due to a myriad of reasons and is gradually making its mark on the global funds map. Some of its key advantages are:

- Cypriot funds legislation is fully harmonized with EU funds standards and UCITS, AIFM and MiFID directives
- Cyprus implemented FATCA and CRS
- It is effectively supervised by CySEC
- Its has experienced fund administrators that are highly qualified yet cost less in comparison to other EU jurisdictions
- Cyprus funds can be listed on Bloomberg, Clearstream and Thomson Reuters.
- Local custodian banks have expanded their service offering through strategic relationships with global custodians and brokers to best serve fund managers.

## CORPORATE TAX BENEFITS FOR INDIAN FUND MANAGER

Corporate income tax is 12.5% which is one of the lowest rates in Europe. Cyprus is also on the OECD White List and complies with internationally agreed tax standards, exchange of information agreements and transparency.

In addition, Cypriot entities benefit from a network of over 50 double tax treaties including the Cyprus-India double tax treaty.

Additional tax benefits and exemptions include:

- Eligible foreign-sourced dividends are tax exempt.
- Sale of shares or bonds (except when the shares are in a company with Cyprus real estate)
- No withholding taxes on payments abroad FX gains (except for FX traders/brokers)
- Capital gains on the sale of securities are exempt
- Capital gains from the sale of immovable property situated outside Cyprus are tax exempt
- Dividends paid out to a non-resident shareholder are exempt from withholding tax
- Dividends received are exempt from income tax and subject to withholding tax as per the double tax treaty in place
- Interest expenses on corporate acquisitions are allowed and there is no withholding tax.

## REDOMICILING TO CYPRUS

Should an Indian entity so wish they can change their tax residency to Cyprus in a seamless process to avail all the tax benefits on offer.

The fund is deemed tax resident if it is managed in Cyprus and all relevant steps are taken to ensure that it can demonstrate local effective management.

If an Indian entity wishes to redomicile, or set up a branch in Cyprus that can be done through the transfer of their registered office to Cyprus subject to ensuring the process is done effectively from an Indian and Cypriot perspective.

## PERSONAL TAX INCENTIVES FOR SENIOR EXECUTIVES

Should the Fund Manager become resident in Cyprus there are also various incentives available to their senior executives who opt to relocate.

Being one of the safest nations in the world, with a Mediterranean climate, modern infrastructure and cosmopolitan cities – Cyprus is luring numerous senior executives who wish to live and work there and facilitating their residency permits on the island.

Some of the key incentives include:

- 50% tax exemption for senior executives who earn over EUR 100,000 per annum subject to key criteria. As of January 2022 this minimum amount will fall to EUR 55,000. to be able to avail this tax exemption.
- EUR 20,000 annual income is tax exempt
- Subject to certain conditions foreign income is also tax exempt
- Subject to certain conditions profits from the disposal of personal investments in shares/other securities may also be tax exempt

## WHAT CAN ATG DO FOR YOU

Capitalising on our experience in assisting in the licensing and administration of Alternative Investment Funds with diverse portfolios of investment globally we offer the structuring and set-up of funds and the provision of on-going management services.

AIFs can be structured to meet the requirements of fund promoters and investors across the whole spectrum of options in terms of licensing process, number of investors, requirement for Minimum Capital, Minimum AUM, who can undertake the Fund Management function and the depositary requirements. This flexibility and cost-efficiency make the Cyprus AIF a very attractive vehicle for collective investments and holding of multiple classes of assets.

We offer our clients a single point of contact, located in a favourable time zone. We undertake to act as the coordinating party between the principals of the structure and all the professionals involved across all major jurisdictions.

The added value of our service lies in the continuous monitoring and advising of clients regarding legislative and compliance requirements and changes, recommending appropriate solutions to safeguard their interests. Our services cover the full range of Fund Administration, Transfer Agency as well the initial set up advice on Licensing and redomiciliation of existing funds.

**For a FREE Initial Consultation to discuss the specifics of your enquiry please contact Andreas Athinodorou on + 357 22057570 or [andreas.athinodorou@atgfunds.com](mailto:andreas.athinodorou@atgfunds.com)**

## ATG SERVICES

OVERVIEW AND SET-UP	TRANSFER AGENCY	FUND ADMINISTRATION AND ACCOUNTING	REPORTING AND COMPLIANCE	REDOMICILIATION AND RELOCATION
<ul style="list-style-type: none"> <li>Fund structuring considerations</li> <li>Tax and legal considerations for all parties involved</li> <li>Fund raising considerations</li> <li>Choice of fund jurisdiction</li> <li>Regulator work and coordination of all parties</li> </ul>	<ul style="list-style-type: none"> <li>Investor enquiries handling</li> <li>Process fund subscriptions</li> <li>Process fund redemptions</li> <li>Handle capital calls</li> <li>Maintain corporate registries</li> </ul>	<ul style="list-style-type: none"> <li>Day to day fund administration</li> <li>Corporate Actions support</li> <li>Fund accounting</li> <li>Reconciliation of custodian and broker accounts</li> <li>NAV Calculations</li> <li>IFRS/GAAP reporting</li> </ul>	<ul style="list-style-type: none"> <li>Reporting to investors</li> <li>Reporting to the fund manager</li> <li>Reporting to the regulator</li> <li>Tax and statutory compliance</li> <li>AML compliance</li> </ul>	<ul style="list-style-type: none"> <li>Assist with Listing requirements</li> <li>Present fund opportunities to placement agents</li> <li>Participate in investor roadshows</li> <li>Investor Introductions</li> </ul>

## YOUR TRUSTED SERVICE PARTNER

We pride ourselves for our service approach to our clients, the development of our people, our network of trusted associates and strive to continuously offer our experience and support to the communities which we operate in. We currently have around EURO 1bn Assets under Administration. We serve a number of significant investment structures with focus in Europe, CIS Countries, Middle East and the UK. ATG principals are founding members of the industry representation bodies - Cyprus Investments Funds Association (CIFA) and Cyprus Fiduciary Association (CyFA). Our companies are regulated by Institute of Certified Public Accountants of Cyprus ICPAC and the Cyprus Securities and Exchange Commission CySEC. Get in touch today to schedule a Free Consultation with us.